

Kentucky Medicaid Drug Maximum Allowable Cost
Frequently Asked Questions
(Updated 3/26/03)

1. What is a Maximum Allowable Cost (MAC) program?

This program will assign an upper payment limit to those generically available multi-source drugs for which a Federal Upper Limit (FUL) has not been set by the Centers for Medicare and Medicaid Services (CMS). The State MAC (SMAC) is intended in part to provide a bridge between when a generic is available for a product and when CMS applies an FUL to the product. Some older drugs may have generics available but no longer have an FUL

2. When will this program begin?

This program will be implemented on April 1, 2003.

3. Where are the SMAC values available?

The SMAC values are posted on the Department for Medicaid Services (Department) web site (<http://chs.state.ky.us/dms>) and can be found in the Pharmacy Program section under "Pharmacy Maximum Allowable Cost Program Information".

4. How often are SMAC values calculated?

The SMAC list will be updated on a quarterly basis at a minimum. Providers should check the website regularly as the Department may update the list more frequently as new drugs enter the marketplace or when availability issues arise.

5. How are the drugs with an SMAC identified and SMAC prices calculated?

Products placed on the SMAC list will be identified and a MAC assigned by the Department on the following basis:

- At least one A-rated generic (as listed in the FDA Orange Book) is readily available.
- The State MAC price shall be determined by taking the lowest available cost (Average Wholesale Price, Wholesale Acquisition Cost, Direct Price) for the drug regardless of manufacturer or orange book rating and multiplying that cost by 150%.
- If an FUL (Federal Upper Limit or Federal MAC) has been set for a product, then an SMAC will not be applied.
- An SMAC will not be applied if the calculation equals an amount greater than the current Estimated Acquisition Cost (EAC) of AWP-12%.
- Products with availability issues may be removed from the SMAC list once their availability status is verified. Once availability has been reestablished, the SMAC will be reapplied.
- The SMAC list will be updated at least quarterly – with ongoing adjustments due to pricing changes and availability issues.

6. How will providers be notified of SMAC reimbursement or changes to the SMAC list?

Additions or changes to the SMAC list and current reimbursements will be posted on an ongoing basis to the Department web site (<http://chs.state.ky.us/dms>) and can be found in the Pharmacy Program section under "Pharmacy Maximum Allowable Cost Program Information".

7. Who do I contact if I do not have access to the Department website?

Please call Provider Relations at **1-800-807-1232**. They will be happy to fax or mail a copy of the latest list to you.

8. Who may I contact if I have a question about a price that has been set?

Providers should inform the Department of Medicaid Services (Department) of specific changes in the pharmacy marketplace affecting availability of drug products and any concerns regarding the SMAC rate schedule. Shortages should be on a regional basis or greater before being brought to the attention of the Department.

To inform the Department of these issues, providers should submit a formal request for review via mail to the Department and include supporting documentation illustrating the issue.

- Requests should be on the pharmacy's letterhead.
- **Acceptable documentation includes items such as recent drug purchase summaries, invoices, or remittance advices.**
- Absence of sufficient information to assess concerns about SMAC rates or availability will not allow for a full evaluation.
- Providers should include their contact information with requests in case the Department needs to contact the provider for more information.

Upon receipt of acceptable information, the Department will review the referenced product to ensure it reflects an accurate market price and availability. After review, the Department may choose to adjust or remove the state maximum allowable cost of a drug if it does not accurately reflect current availability.

All inquiries and related documentation should be mailed to the following address:

**Kentucky Medicaid State MAC Program
300 Fair Oaks Lane
Frankfort, KY 40601**

If there are any questions about this process, please contact **Provider Relations** at **1-800-807-1232**.